

Transient Occupancy Tax Fund

M
I
S
S
I
O
N

T*o provide funding for Convention Facilities Operations and Maintenance, Cultural Grants, and the San José Convention and Visitors Bureau*

Beginning in 1982, the City Council initiated a 6% Transient Occupancy Tax (TOT) on all hotel/motel rooms in San José. The revenues are collected in the TOT Fund (461) and the increment of growth is distributed by formula to three program categories: Convention Facilities Operations and Maintenance, (50% of the TOT increase), Cultural Grants (25% of the TOT increase) and the San José Convention and Visitors Bureau (25% of the TOT increase).

Transient Occupancy Tax Fund

Budget Summary

	2006-2007 Adopted	2007-2008 Adopted	Change
Convention Facilities Operations and Maintenance	\$ 5,826,245	\$ 7,063,565	21.2%
Cultural Grants	\$ 3,559,387	\$ 5,151,736	44.7%
San José Convention & Visitors Bureau	\$ 3,106,440	\$ 3,725,100	19.9%

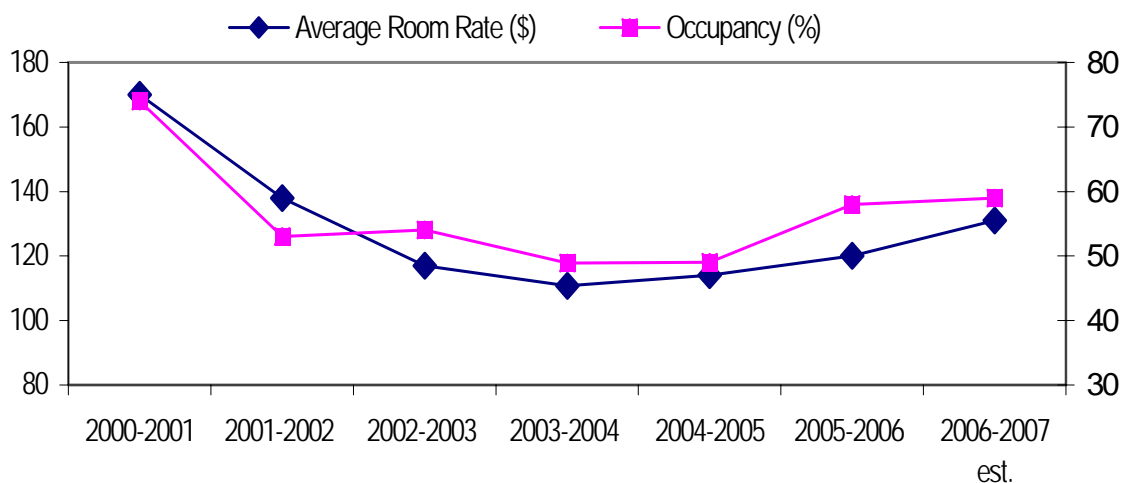
Budget Highlights 2007-2008

□ In 2007-2008, TOT revenues are expected to increase 7% from the estimated 2006-2007 collection level. This growth primarily reflects an anticipated increase in the average room rate and occupancy rates. The number of rentable rooms will remain relatively unchanged.

□ Given the higher than anticipated revenue growth in 2006-2007 and the 7% growth projected in 2007-2008, the allocations for the three recipient organizations are expected to increase between 20 to 21% when compared to the 2006-2007 Adopted Budget.

Budget Byte

TOT Indicators: Room Rates and Occupancy



Transient Occupancy Tax Fund

Fund Overview

The 2007-2008 Adopted Budget for the City's Transient Occupancy Tax (TOT) Fund presumes a 7% growth over the level of revenue expected to be collected in 2006-2007. This increase reflects the impact of the continuation of a recovery from the recent years of decline in the travel industry. The extent of the fall and then the recovery in the travel industry and collection of this tax are best illustrated by a review of the recent history of this revenue source. From its peak in the year 2000-2001, due to combined impact of the recession and the events of 9/11, receipts fell 45% over three years. Growth resumed in 2004-2005 (13%) and 2005-2006 (21%), and receipts are projected to grow an additional 9% in 2006-2007. The 2007-2008 adopted growth rate of 7% reflects an expectation for continued growth, but at levels slightly lower than the last two years.

By ordinance, the TOT Fund is used to provide funding for Convention Facilities

Operations and Maintenance, Cultural Grants, and the San José Convention and Visitors Bureau (CVB).

As a result of the better than expected performance in revenue for 2006-2007 and projected growth in 2007-2008, an increase to the three recipients in 2006-2007 was approved. Additional 2006-2007 revenue collected through March totaling \$1,262,400 was distributed in this budget to the three recipients. Additional revenue collected from April through June will be distributed in the 2006-2007 Annual Report. The 2007-2008 Adopted Cultural Grants Budget also included a one-time rebudget of unexpended 2006-2007 grants in the amount of \$1,303,000.

The ending fund balance is made up of a reserve for encumbrances, a reserve for outstanding loans, and unrestricted fund balance.

Fund Summary

	2005-2006 Actual 1	2006-2007 Adopted 2	2006-2007 Estimate 3	2007-2008 Adopted 4	% Change (2 to 4)
Dollars by Sources					
Beginning Fund Balance	\$ 2,077,514	\$ 2,388,624	\$ 3,784,632	\$ 3,830,819	60.4%
TOT Revenues	11,525,589	11,237,600	12,500,000	13,375,000	19.0%
Interest	93,392	50,000	75,000	75,000	50.0%
Total	\$ 13,696,495	\$ 13,676,224	\$ 16,359,632	\$ 17,280,819	26.4%
Dollars by Uses					
Convention Facilities Operations and Maintenance	\$ 4,922,103	\$ 5,826,245	\$ 6,338,040	\$ 7,063,565	21.2%
Cultural Grants	2,335,391	3,559,387	4,131,436	5,151,736	44.7%
SJ Convention/Visitors Bureau	2,654,369	3,106,440	3,362,337	3,725,100	19.9%
General Fund (GASB43/45)	0	0	0	292	N/A
Ending Fund Balance	3,784,632	1,184,152	2,527,819	1,340,126	13.2%
Total	\$ 13,696,495	\$ 13,676,224	\$ 16,359,632	\$ 17,280,819	26.4%

Transient Occupancy Tax Fund

Budget Category: Convention Facilities Operations and Maintenance

Budget Category Overview

Convention Facilities Operation and Maintenance supports a portion of the administration, maintenance, and operations costs at the Convention Facilities operated by Team San José, which includes the Convention Center, Center for Performing Arts, California Theater, Montgomery Theater, Civic Auditorium, Parkside Hall, and McCabe Hall. The remaining operating costs are funded by operating revenues from these facilities, which are captured in the Convention and Cultural Affairs Fund. Because the total operating expenses are not delineated by funding source, the specific operations supported by TOT funding cannot be isolated. Personal services and non-personal/equipment expenses, which are partially funded by the

increment of growth in the TOT, appear in the Convention Facilities Department section of this document.

Approximately 48.1% of the total 2007-2008 TOT revenue is allocated to fund a portion of the operating expenses and maintenance at the Convention Facilities. According to the budget submitted by Team San José, approximately \$4.5 million of the \$7.1 million transfer in 2007-2008 will be required for subsidizing operations; the remaining \$2.6 million will be placed in the fund balance in the Convention and Cultural Affairs Fund.

Budget Category Summary

	2005-2006 Actual 1	2006-2007 Adopted 2	2006-2007 Estimate 3	2007-2008 Adopted 4	% Change (2 to 4)
Convention Facilities Operations and Maintenance	\$ 4,922,103	\$ 5,826,245	\$ 6,338,040	\$ 7,063,565	21.2%
Total	\$ 4,922,103	\$ 5,826,245	\$ 6,338,040	\$ 7,063,565	21.2%

Transient Occupancy Tax Fund

Budget Category: Cultural Grants

Budget Category Overview

Each year, the Arts Commission solicits and evaluates applications for funding under the Cultural Grants category (using criteria approved by the City Council). The Arts Commission then submits recommendations for Cultural Grants and Technical Assistance Grants to the City Council for consideration during the annual budget process. Approximately 26.4% of the total 2007-2008 TOT revenue is allocated to fund Cultural Grants. It should be noted that the 2007-2008 Cultural Grants allocation includes a one-time rebudget of unexpended 2007-2007 grants in the amount of \$1.3 million.

In addition, the addition of a Deputy Director for the Office of Economic Development's Cultural Affairs Division was approved to be funded from the Cultural Grant allocation. This position will serve as the lead cultural expert for the Office of Cultural Affairs, interact with the Arts Commission, and advise City staff and elected officials on all arts/cultural issues.

Detailed information for the 2007-2008 TOT Cultural Grants program awards are listed in this section to provide a picture of the City's Cultural Grants Program.

Budget Category Summary

	2005-2006 Actual 1	2006-2007 Adopted 2	2006-2007 Estimate 3	2007-2008 Adopted 4	% Change (2 to 4)
Cultural Grants	\$ 2,335,391	\$ 3,559,387	\$ 4,131,436	\$ 5,151,736	44.7%
Total	\$ 2,335,391	\$ 3,559,387	\$ 4,131,436	\$ 5,151,736	44.7%

Transient Occupancy Tax Fund

Budget Category: San José Convention and Visitors Bureau

Budget Category Overview

Approximately 25.5% of the total 2007-2008 estimated TOT revenue in this fund is allocated to the San José Convention and Visitors Bureau (CVB). The City contracts with the CVB to provide long-term booking of events at the Convention Center, market the Convention Center, promote traveling to San José for business and pleasure, and assist visitors.

CVB also receives funding from the General Fund (shown in the City-Wide Expenses section of this document) and other sources such as San José businesses, restaurants, and hotels to provide similar services, which are not represented here.

Budget Category Summary

	2005-2006 Actual 1	2006-2007 Adopted 2	2006-2007 Estimate 3	2007-2008 Adopted 4	% Change (2 to 4)
SJ Convention/Visitors Bureau	\$ 2,654,369	\$ 3,106,440	\$ 3,362,337	\$ 3,725,100	19.9%
Total	\$ 2,654,369	\$ 3,106,440	\$ 3,362,337	\$ 3,725,100	19.9%

Transient Occupancy Tax Fund

Budget Category: Cultural Grants

Budget Category Overview

Cultural Grants Allocations	Total Grant
Abhinaya Dance Company of San José	\$ 31,745
Afsaneh Art and Culture	6,000
Almaden Valley Art & Wine Festival	5,000
American Musical Theatre of San José	232,115
Arab Film Festival	11,970
Association for Viet Arts	13,500
Ballet San José Silicon Valley	208,014
Bark in the Park	14,000
Bay Area Glass Institute	18,000
Center for Literary Arts, SJSU	18,000
Chinese Performing Artists of America, San José	46,923
Christmas in the Park	35,000
Cinema San Pedro	4,000
Cinema St. James	5,000
Cinequest San José Film Festival	34,000
Cinequest, Inc.	74,135
City Lights Performance Group of San José	31,310
Contemporary Asian Theater Scene	16,200
Dancin' Downtown	6,000
Dancin' on the Avenue	7,000
Dia de Portugal	4,000
Dimension Performing Arts, Inc.	16,520
Downtown Ice	29,000
El Festival Floricanto Ketzalcoatl	4,229
Festival for Independence	44,000
Festival on the Alameda	2,000
Fiesta de Las Rosas Parade	1,350
Firebird Youth Chinese Orchestra	24,163
Founder's Day	6,000
Guitar Festival	4,500
Habib Khan Saraswati Temple and Gurukul	8,925
International Multi-Arts Festival	6,500
International Russian Music Piano Competition	18,000
Italian American Heritage Festival	9,500
Juneteenth Festival	2,000
Kaisahan of San José Dance Company	25,911
La Comparsa for Dia de Los Muertos	4,000
Luther Burbank Jamboree	3,000
Lyric Theatre — Gilbert & Sullivan Society of San José	16,200
Margaret Wingrove Dance Company of San José	15,750
Mission Chamber Orchestra	12,900
Movimiento de Arte y Cultural Latino Americana	56,736
Music in the Other Park	8,000
Music in the Park	17,000
Nikkei Matsuri Festival	3,500
Northside Theatre Council	10,822

Transient Occupancy Tax Fund

Budget Category: Cultural Grants

Budget Category Overview (Cont'd.)

Cultural Grants Allocations (Cont'd.)	Total Grant
Opera San José, Inc.	\$ 210,217
Pat's Run San José	3,500
Poetry Center San José	18,000
Pumpkins in the Park	13,725
San José Chamber Music Society	18,000
San José Chamber Orchestra	22,844
San José Children's Discovery Museum	152,582
San José Children's Musical Theater	120,645
San José Dance Theatre	12,600
San José Gay Pride Festival & Parade	3,700
San José Institute of Contemporary Art	46,958
San José International Mariachi Festival	9,503
San José Jazz Festival	46,000
San José Jazz Society	61,763
San José Jewish Film Festival	18,000
San José Multicultural Artists Guild	21,107
San José Museum of Art Association	175,532
San José Museum of Quilts & Textiles	39,125
San José Repertory Theatre	118,208
San José Symphonic Choir	11,554
San José Taiko Group, Inc.	49,924
San José Youth Symphony	40,732
Silicon Valley Children's Fund	18,000
sjDANCEco	10,000
South Bay Guitar Society	16,200
Special Events Programming Committee, SJSU	13,500
Spring in Guadalupe Gardens	10,000
Steinway Society - The Bay Area	21,571
Sunday Concert Series	15,000
Symphony Silicon Valley	148,211
Tapestry Arts Festival	34,187
Tapestry Arts San José, Inc.	43,315
Teatro Vision de San José	53,052
Veteran's Day Parade	15,000
Visual Rhythm Dance Company	15,457
Vivace Youth Chorus	16,200
Wildlife Festival	4,000
Winchester Orchestra	13,680
Works/San José	11,390
Arts Program Administration	122,000
Cultural Development Strategy Reserve	100,000

Transient Occupancy Tax Fund

Budget Category: Cultural Grants

Budget Category Overview (Cont'd.)

Cultural Grants Allocations (Cont'd.)	Total Grant
Deputy Director of OED for Cultural Affairs	\$ 152,000
Grant Review: Panels/Site Visits	44,000
TOT Long-Term Reserve	255,897
TOT Mid-Year Reserve	339,939
Unallocated	1,292,500
TOTAL	<hr/> \$ 5,151,736